



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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June 11, 2003

TO: Senator Lisa Brown, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: June 10, 2003 REVENUE COLLECTION REPORT

General Fund-State collections were slightly above the forecast for the month. Receipts totaled \$1,110.7 million, \$2.8 million higher than what was expected for the May 11-June 10 collection period. Real estate excise and property tax (state levy) payments were stronger than expected this month and accounted for more than the total positive variance. Revenue Act (retail sales, B&O, use and public utility) taxes, which are most closely tied to economic performance, were a little below the estimate for the month. Cumulatively, for the three months since the March forecast, collections are \$7.5 million (0.3 percent) above the estimate.

While revenue continues to perform as expected, the economy continues to struggle. Real gross domestic product (GDP), the broadest measure of economic performance, grew at a 1.9 percent annual rate in the first quarter. This is about half what was expected in the March 2003 forecast. Investment spending remains weak and consumer spending has slowed. Perhaps most importantly the economy continues to lose jobs. U.S. payroll employment declined 17,000 in May. The economy has lost 131,000 jobs so far this year, after shedding more than 1.8 million jobs in calendar 2002.

Revenue Act receipts were \$6.6 million less than expected for the month and are \$5.2 million below the forecast in the three months since the March 2003 forecast. The Revenue Act shortfall was due to an unusually large amount of refunds this period (\$11.8 million). Excluding these refunds Revenue Act receipts would have been a little above the estimate for both the month (+\$5.2 million) and cumulative (+\$6.6 million). Revenue Act collections this period primarily reflect April 2003 business activity. Although Revenue Act collections were close to the estimate for the month, there is little indication of the expected post-war bounce in spending. For the month, Revenue Act receipts were only 1.1 percent above the year-ago level (adjusting for special factors). While this is an improvement from the 3.4 percent decline last month, Revenue Act growth remains quite weak. For the first four months of calendar 2003 receipts are only 0.2 percent (adjusted for special factors) above the year ago level. This is well below both the growth of personal income and retail sales nationally. The combination of an accommodative

monetary policy (low interest rates) and the recently enacted tax cuts are expected to boost spending and revenue growth in the coming months.

Preliminary data on tax payments for the current month again indicate strength in most retailing sectors and weakness in most non-retailing sectors. These data show that tax payments of business in the retail trade sector were up more than 5.0 percent from the year-ago level, while non-retailing sectors, as a whole, declined more than 1 percent. Within retail trade, tax payments reported by all major sectors, other than gas stations and convenience stores, were higher than a year ago. Food and beverage stores and non-store retailers reported double digit increases. Among major non-retail sectors, the largest declines were reported by utilities, manufacturing, transportation and warehousing and real estate and the rental and leasing sectors. There were a few non-retail trade sectors that reported increase in tax payments. These include the finance sector and the professional, scientific and technical services sector.

Other General Fund taxes collected by the Department of Revenue were \$9.6 million above the estimate for the month. All major Non-Revenue taxes were higher than expected this month with the exception of the "other" category (primarily brokered natural gas). This month's positive variance increases the positive variance for Non Revenue Act to \$12.3 million for the three months since the March forecast.

Real estate activity continues to be strong and accounts for most of the Non Revenue Act positive variance for both the month and cumulatively. Real estate excise tax payments were \$7.7 million above the forecast for the month and are \$9.3 million higher than expected in the last three months. Real estate activity was again strong in April (closings in April reflect tax payments to the state in May). Taxable activity was up 23.4 percent statewide, with the number of transactions up 7.2 percent, while the average value per transaction increased 15.1 percent. This was up from a 12.1 percent increase the month before. Real estate activity has now increase at a double-digit rate the past eight months. The impact of a weak economy continues to be overwhelmed by record low mortgage rates.

Department of Licensing General Fund-State collections are \$210,000 below than the estimate for the month but are \$380,000 higher cumulatively for the three months since the March forecast.

The attached Table 1 provides a comparison of collections with the March forecast for the May 11 - June 10, 2003 collection period and cumulatively since the March 2003 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
June 10, 2003 Collections Compared to the March 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
May 11 - June 10, 2003				
Department of Revenue-Total	\$1,103,699	\$1,106,720	\$3,022	0.3%
Revenue Act** (1)	617,044	610,429	(6,615)	-1.1%
Non-Revenue Act(2)	486,655	496,292	9,637	2.0%
Liquor Sales/Liter	7,073	7,273	200	2.8%
Cigarette	4,167	5,014	847	20.3%
Property (State School Levy)	413,149	415,909	2,760	0.7%
Estate	7,937	8,026	89	1.1%
Real Estate Excise	35,305	43,009	7,704	21.8%
Timber (state share)	1,303	2,121	819	62.8%
Other	17,722	14,940	(2,782)	-15.7%
Department of Licensing (2)	4,177	3,967	(210)	-5.0%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,107,876	\$1,110,687	\$2,812	0.3%
Cumulative Variance Since the March Forecast (March 11, 2002 - June 10, 2003)				
Department of Revenue-Total	\$2,594,788	2,601,926	7,138	0.3%
Revenue Act** (3)	1,923,250	1,918,082	(5,168)	-0.3%
Non-Revenue Act(4)	671,538	683,844	12,306	1.8%
Liquor Sales/Liter	21,244	21,048	(197)	-0.9%
Cigarette	12,750	12,959	209	1.6%
Property (State School Levy)	479,339	486,208	6,869	1.4%
Estate	21,779	21,093	(686)	-3.2%
Real Estate Excise	102,386	111,658	9,272	9.1%
Timber (state share)	1,303	2,121	819	62.8%
Other	32,738	28,758	(3,980)	-12.2%
Department of Licensing (4)	8,094	8,473	380	4.7%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$2,602,881	\$2,610,399	\$7,518	0.3%

1 Collections May 11 - June 10, 2003. Collections primarily reflect April 2003 activity of monthly taxpayers.

2 May 1-31, 2003 collections.

3 Cumulative collections, estimates and variance since the March 2003 forecast; (March 11 - June 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the March forecast; (March, April and May 2003) and revisions to history.

5 Lottery transfers to the General Fund.

* Based on the March 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
May 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
April 11 - May 10, 2003				
Department of Revenue-Total	\$840,733	\$840,733	\$0	0.0%
Revenue Act (1)	718,912	718,912	0	0.0%
Non-Revenue Act(2)	121,821	121,821	(0)	-0.0%
Liquor Sales/Liter	7,155	7,155	(0)	-0.0%
Cigarette	3,822	3,822	(0)	-0.0%
Property (State School Levy)-net	52,085	52,085	0	0.0%
Property tax collections	52,085	52,085	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	8,312	8,312	(0)	-0.0%
Real Estate Excise	37,549	37,549	0	0.0%
Timber (state share)	0	0	0	NA
Other	12,898	12,898	0	0.0%
Department of Licensing (2)	3,702	3,702	(0)	-0.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$844,435	\$844,435	\$0	0.0%

Cumulative Receipts: April 11 - May 10, 2003 & Revisions to History

Department of Revenue-Total	1,495,205	\$1,495,205	\$0	0.0%
Revenue Act (3)	1,307,653	1,307,653	0	0.0%
Non-Revenue Act(4)	187,552	187,552	0	0.0%
Liquor Sales/Liter	13,775	13,775	(0)	-0.0%
Cigarette	7,944	7,944	0	0.0%
Property (State School Levy)-net after transfer	70,299	70,299	(0)	-0.0%
Property tax collections	70,299	70,299	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	13,067	13,067	(0)	-0.0%
Real Estate Excise	68,650	68,650	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	13,818	13,818	0	0.0%
Department of Licensing (4)	4,506	4,462	(44)	-1.0%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,499,712	\$1,499,667	(\$45)	-0.0%

Preliminary. Reported in the May 10, 2003 collection report.

1 Collections April 11 - May 10, 2003. Collections primarily reflect March 2003 business activity of monthly taxpayers and January-March activity of quarterly filers.

2 April 1-30, 2003 collections.

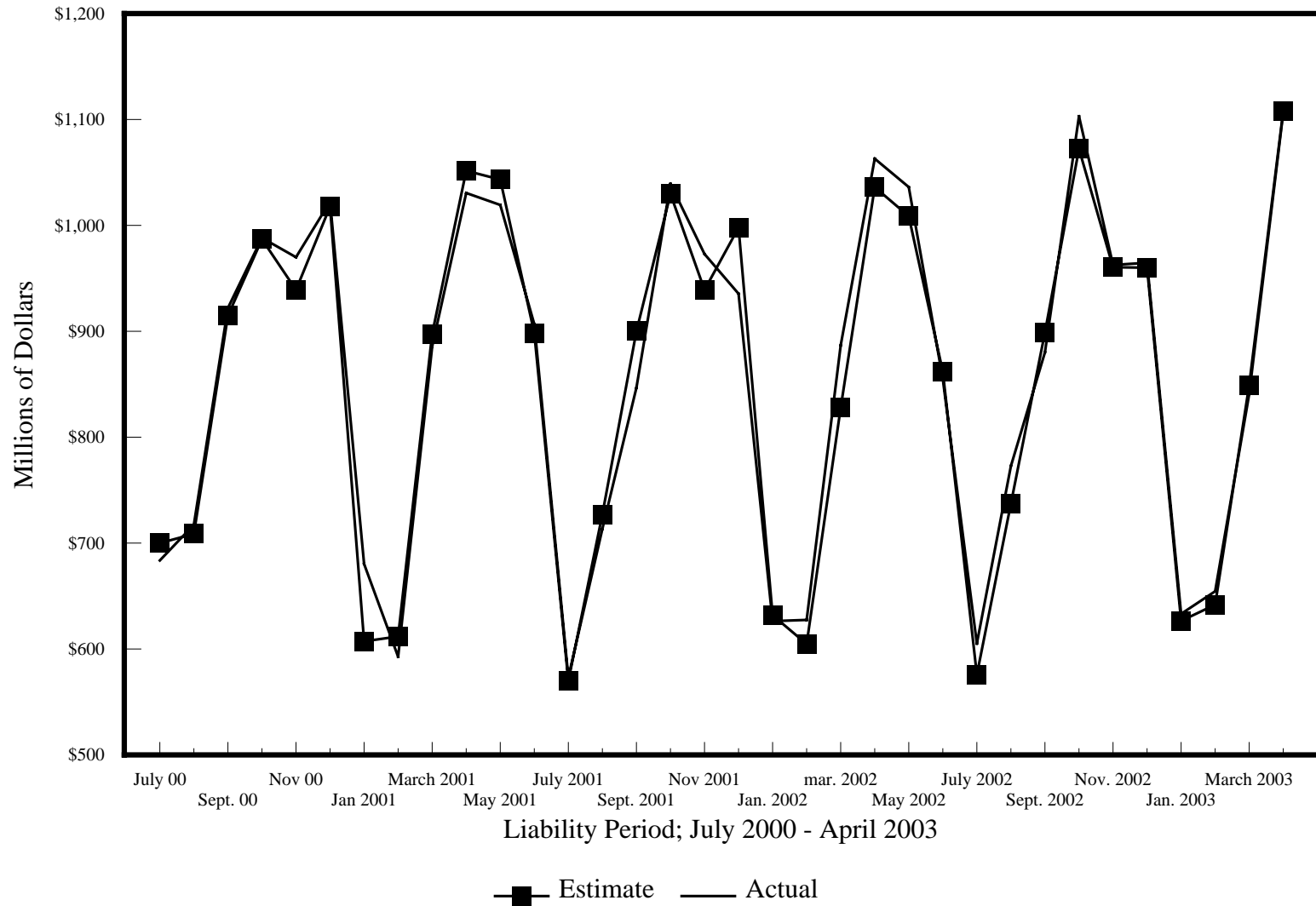
3 Cumulative receipts since the March 2003 forecast: March 11- May 10,2003 & revisions to history.

4 Cumulative receipts since the March 2003 forecast (March & April 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

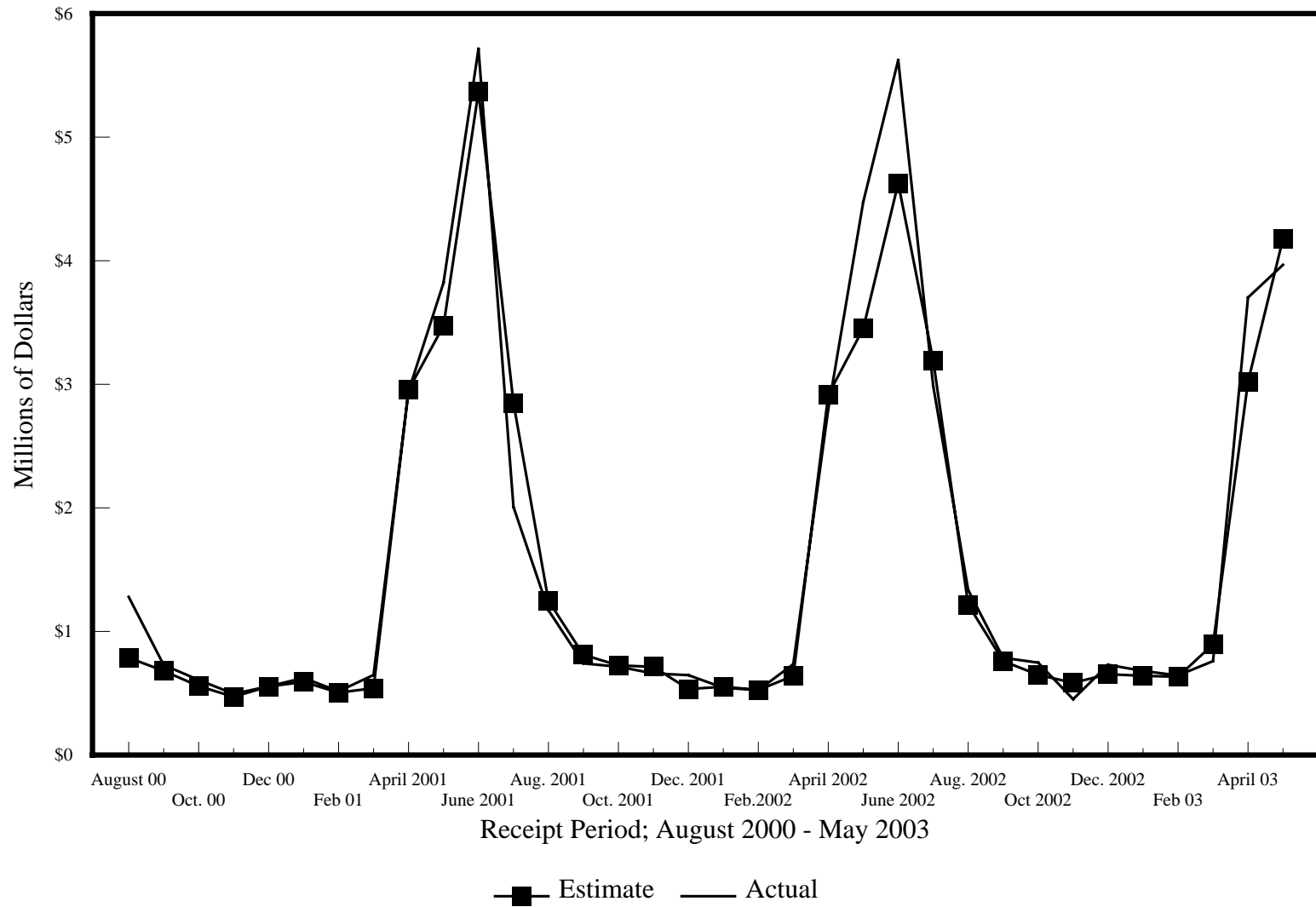
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to April 2003



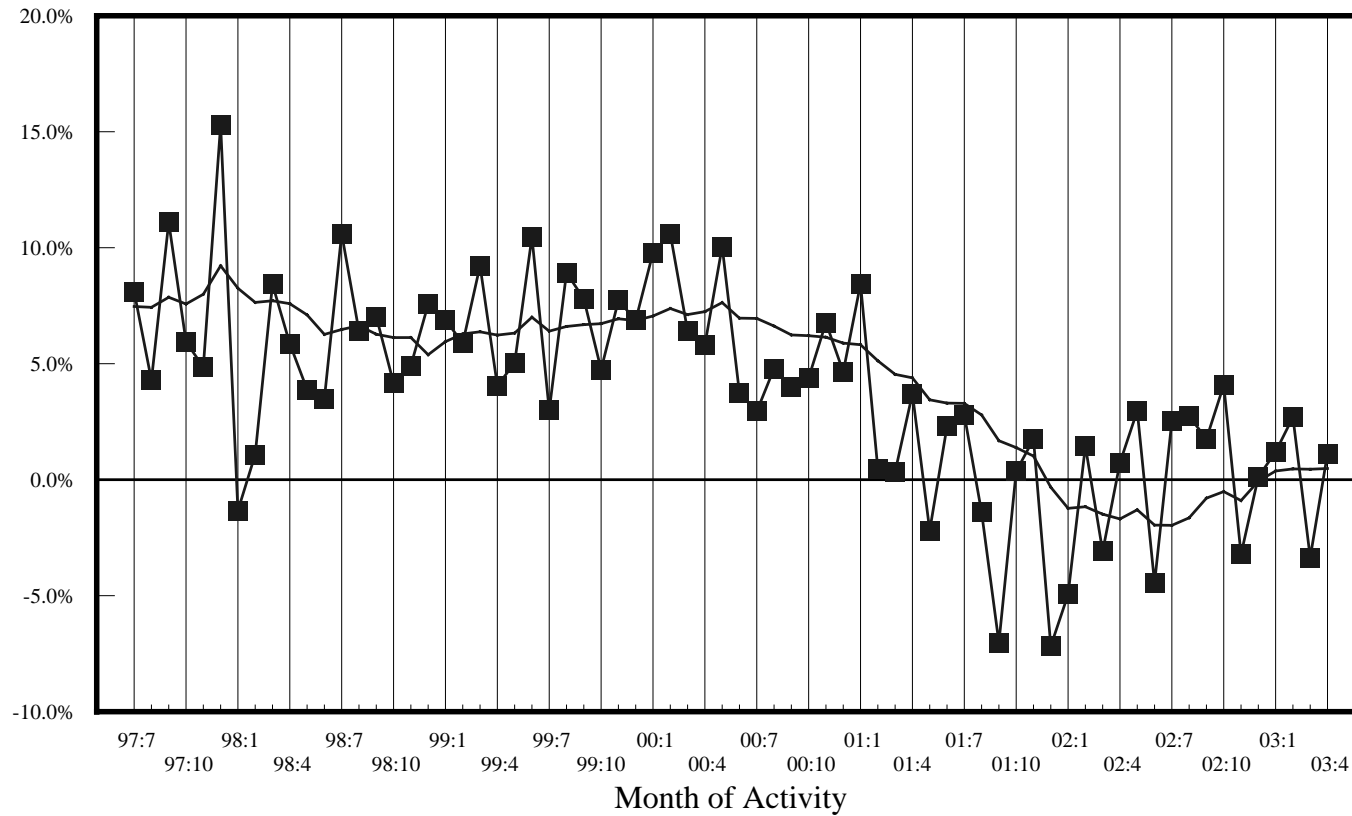
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to May 2003



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— Twelve Month Moving Average

*Adjusted for special factors